

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Downriver Community Conference

(a local government consortium)

Financial Report
with Supplemental Information
September 30, 2006

Downriver Community Conference

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Independent Auditor's Report

To the Board of Directors
Downriver Community Conference

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Downriver Community Conference (DCC) (a local government consortium) as of and for the year ended September 30, 2006, which collectively comprise Downriver Community Conference's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Downriver Community Conference's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Downriver Community Conference as of September 30, 2006 and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Directors
Downriver Community Conference

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2006 on our consideration of Downriver Community Conference's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

December 22, 2006

Downriver Community Conference

Management's Discussion and Analysis

Our discussion and analysis of Downriver Community Conference's (DCC) financial performance provides an overview of DCC's financial activities for the fiscal year ended September 30, 2006. Please read it in conjunction with DCC's financial statements.

Financial Highlights

As discussed in further detail in this management's discussion and analysis, the following represents the most significant financial highlights for the year ended September 30, 2006:

- The Downriver Community Conference (DCC) was awarded a \$25,000 Centers for Regional Excellence grant. This grant will assist interested communities with integrating a centralized dispatch system.
- The Downriver Community Conference was awarded a \$75,000 grant from the Community Foundation for Southeastern Michigan to assist with the construction of the north/south path along Jefferson from Gibraltar to Elizabeth Park.
- The employment and training department continues to search for supplemental funding to its existing grants. Funding for this department was increased by \$226,371 for the 2006-2007 fiscal year.
- The Job Access Reverse Commute (JARC) grant is expected to end during the 2006-2007 fiscal year; however, DCC is expecting the JARC grant to be re-funded.
- From June 2004 through June 2006, DCC received a \$5,000,000 training grant from the United States Department of Labor. The grant assisted AAI with state-of-the-art technical training for its 1,400 employees to manufacture the Ford Mustang.
- The Weatherization Department received \$475,000 to assist low-income residents with heating bills. Assistance for heating bills ranged from \$50 to \$650. DCC will receive \$500,000 for the 2006-2007 fiscal year for low-income energy assistance.
- The Downriver Area Brownfield Consortium (DABC), through DCC, was awarded a \$2.5 million EPA Revolving Loan Fund to provide loans for cleanup activities at sites contaminated with hazardous substances. This will be an ongoing project for the downriver region.

Downriver Community Conference

Management's Discussion and Analysis (Continued)

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets (deficit) and the statement of activities provide information about the activities of DCC as a whole and present a longer-term view of DCC's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the member communities and granting agencies have funded the full cost of providing services.

The fund financial statements present a short-term view; they tell us how the members' assessments and grant monies were spent during the year, as well as how much is available for future spending. Fund financial statements also report DCC's operations in more detail than the government-wide financial statements.

DCC as a Whole

The following table shows, in a condensed format, the net assets (deficit) as of September 30, 2006 and 2005:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current assets	\$ 920,981	\$ 816,548	\$ -	\$ -	\$ 920,981	\$ 816,548
Noncurrent assets	<u>2,027,999</u>	<u>2,199,571</u>	<u>-</u>	<u>-</u>	<u>2,027,999</u>	<u>2,199,571</u>
Total assets	2,948,980	3,016,119	-	-	2,948,980	3,016,119
Liabilities						
Current liabilities	980,475	917,856	203,792	221,245	1,184,267	1,139,101
Long-term liabilities	<u>1,660,332</u>	<u>1,823,500</u>	<u>-</u>	<u>-</u>	<u>1,660,332</u>	<u>1,823,500</u>
Total liabilities	<u>2,640,807</u>	<u>2,741,356</u>	<u>203,792</u>	<u>221,245</u>	<u>2,844,599</u>	<u>2,962,601</u>
Net Assets (Deficit)						
Invested in capital assets - Net of related debt	(16,644)	(11,942)	-	-	(16,644)	(11,942)
Restricted	219,082	232,800	-	-	219,082	232,800
Unrestricted (deficit)	<u>105,735</u>	<u>53,905</u>	<u>(203,792)</u>	<u>(221,245)</u>	<u>(98,057)</u>	<u>(167,340)</u>
Total net assets (deficit)	<u>\$ 308,173</u>	<u>\$ 274,763</u>	<u>\$ (203,792)</u>	<u>\$ (221,245)</u>	<u>\$ 104,381</u>	<u>\$ 53,518</u>

Downriver Community Conference

Management's Discussion and Analysis (Continued)

DCC's combined net assets for both governmental and business-type activities totaled \$104,381 for fiscal year 2006. Net assets are further segregated between restricted and unrestricted net assets. The restricted net assets, assets that are restricted for a specific purpose/use and invested in capital assets, total approximately \$219,000. The unrestricted deficit, the part of net assets that can be used to finance day-to-day operations, totals approximately \$98,000.

The following table shows the changes in net assets during the current year:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue						
Program revenue:						
Charges for services	\$ 158,815	\$ 131,917	\$ 475,575	\$ 459,509	\$ 634,390	\$ 591,426
Operating grants and contributions	7,269,218	9,364,480	-	-	7,269,218	9,364,480
General revenue:						
Membership assessments	87,875	83,125	-	-	87,875	83,125
Unrestricted investment earnings and other	-	(1,897)	8,502	4,715	8,502	2,818
Total revenue	7,515,908	9,577,625	484,077	464,224	7,999,985	10,041,849
Program Expenses						
General government	364,510	355,411	-	-	364,510	355,411
Employment and training	4,793,705	5,164,669	-	-	4,793,705	5,164,669
Economic development	748,070	2,994,364	-	-	748,070	2,994,364
Weatherization	1,184,553	697,274	-	-	1,184,553	697,274
Transportation	391,660	355,246	-	-	391,660	355,246
Buildings and equipment	-	-	466,624	425,230	466,624	425,230
Total program expenses	7,482,498	9,566,964	466,624	425,230	7,949,122	9,992,194
Change in Net Assets	\$ 33,410	\$ 10,661	\$ 17,453	\$ 38,994	\$ 50,863	\$ 49,655

Governmental Activities

Governmental activities are those activities (such as employment and training or economic development programs) provided to the constituents of the downriver area. The programs are supported by federal, state, and local grants along with membership assessments paid by the local downriver communities.

The cost of providing services for governmental activities was \$7.5 million for the fiscal year ended September 30, 2006. Since the majority of the programs provided by DCC are financed through grants, revenue recorded was within 1 percent of expenditures.

Business-type Activities

DCC's business-type activities consist of renting vacant space within its building to third parties. Rental and maintenance fees are charges to the third parties.

Downriver Community Conference

Management's Discussion and Analysis (Continued)

DCC's Funds

Our analysis of DCC's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not DCC as a whole. The DCC board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. DCC's major funds for 2006 include the General Fund, Employment and Training Fund, Economic Development Fund, Weatherization Fund, and Transportation Fund.

The General Fund pays for most of DCC's governmental services. The most significant are payroll and contracted services, which incurred expenses of approximately \$238,000 in 2006 and \$197,000 in 2005.

General Fund Budgetary Highlights

Over the course of the year, DCC amended the budget to take into account events during the year. DCC departments overall stayed below budget, resulting in total expenditures in the General Fund to be approximately \$3,000 above budget, while total revenue in the General Fund was approximately \$44,000 above budget. This allowed the General Fund's fund balance to increase from approximately \$60,000 a year ago to approximately \$143,000 at September 30, 2006.

Capital Assets and Debt Administration

At the end of 2006, DCC had \$1.8 million invested in a broad range of capital assets, including buildings, furniture, and equipment. These assets are necessary to carry out the day-to-day operations of DCC.

Contacting DCC's Management

This financial report is intended to provide our citizens, customers, and member communities with a general overview of DCC's finances and to show DCC's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the accounting office.

Downriver Community Conference

Statement of Net Assets (Deficit) September 30, 2006

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Internal balances	\$ 203,792	\$ (203,792)	\$ -
Due from other governmental units	709,755	-	709,755
Prepaid expenses and other assets	7,434	-	7,434
Restricted assets (Note 8)	219,082	-	219,082
Capital assets not being depreciated (Note 4)	388,000	-	388,000
Capital assets being depreciated - Net (Note 4)	<u>1,420,917</u>	<u>-</u>	<u>1,420,917</u>
Total assets	2,948,980	(203,792)	2,745,188
Liabilities			
Bank overdraft	248,917	-	248,917
Accrued liabilities	412,766	-	412,766
Security deposits	35,631	-	35,631
Due to other governmental units	23,750	-	23,750
Deferred revenue (Note 5)	94,182	-	94,182
Noncurrent liabilities (Note 7):			
Due within one year	165,229	-	165,229
Due within more than one year	<u>1,660,332</u>	<u>-</u>	<u>1,660,332</u>
Total liabilities	<u>2,640,807</u>	<u>-</u>	<u>2,640,807</u>
Net Assets (Deficit)			
Invested in capital assets - Net of related debt	(16,644)	-	(16,644)
Restricted for capital projects and debt	219,082	-	219,082
Unrestricted	<u>105,735</u>	<u>(203,792)</u>	<u>(98,057)</u>
Total net assets (deficit)	<u>\$ 308,173</u>	<u>\$ (203,792)</u>	<u>\$ 104,381</u>

Downriver Community Conference

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Functions/Programs			
Primary government:			
Governmental activities:			
General	\$ 364,510	\$ 118,959	\$ 247,190
Employment and training	4,793,705	-	4,736,716
Economic development	748,070	1,796	744,620
Weatherization	1,184,553	-	1,183,056
Transportation	391,660	38,060	357,636
Total governmental activities	7,482,498	158,815	7,269,218
Business-type activities - Building and equipment	466,624	475,575	-
Total primary government	<u><u>\$ 7,949,122</u></u>	<u><u>\$ 634,390</u></u>	<u><u>\$ 7,269,218</u></u>
General revenues:			
Membership assessments			
Unrestricted investment earnings			
Total general revenues			
Change in Net Assets			
Net Assets (Deficit) - Beginning of year			
Net Assets (Deficit) - End of year			

Statement of Activities
Year Ended September 30, 2006

Net (Expense) Revenue and Changes in		
Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
<hr/>		
\$ 1,639	\$ -	\$ 1,639
(56,989)	-	(56,989)
(1,654)	-	(1,654)
(1,497)	-	(1,497)
4,036	-	4,036
<hr/>		
(54,466)	-	(54,466)
-	8,951	8,951
<hr/>		
(54,466)	8,951	(45,515)
87,875	-	87,875
-	8,502	8,502
<hr/>		
87,875	8,502	96,377
<hr/>		
33,409	17,453	50,862
274,763	(221,245)	53,518
<hr/>		
\$ 308,172	\$ (203,792)	\$ 104,380

Downriver Community Conference

Governmental Funds Balance Sheet September 30, 2006

	Major Funds					Total
	General Fund	Employment and Training Fund	Economic Development Fund	Weatheri- zation Fund	Transpor- tation Fund	Governmental Funds
Assets						
Cash and cash equivalents (Note 3)	\$ 213,654	\$ -	\$ -	\$ 67,285	\$ -	\$ 280,939
Due from other governmental units	25,519	111,159	206,216	104,700	232,752	680,346
Prepaid expenses and other assets	1,560	4,750	330	172	409	7,221
Total assets	<u>\$ 240,733</u>	<u>\$ 115,909</u>	<u>\$ 206,546</u>	<u>\$ 172,157</u>	<u>\$ 233,161</u>	<u>\$ 968,506</u>
Liabilities and Fund Balances (Deficit)						
Liabilities						
Bank overdraft	\$ -	\$ 4,181	\$ 105,744	\$ -	\$ 217,333	\$ 327,258
Accrued liabilities	73,917	84,388	99,666	124,604	11,112	393,687
Due to other governmental units	23,750	-	-	-	-	23,750
Deferred revenue (Note 5)	-	43,700	190,515	95,667	173,279	503,161
Total liabilities	97,667	132,269	395,925	220,271	401,724	1,247,856
Fund Balances (Deficit)						
General Fund	143,066	-	-	-	-	143,066
Special Revenue Funds	-	(16,360)	(189,379)	(48,114)	(168,563)	(422,416)
Total fund balances (deficit)	143,066	(16,360)	(189,379)	(48,114)	(168,563)	(279,350)
Total liabilities and fund balances (deficit)	<u>\$ 240,733</u>	<u>\$ 115,909</u>	<u>\$ 206,546</u>	<u>\$ 172,157</u>	<u>\$ 233,161</u>	<u>\$ 968,506</u>
Fund Balance (Deficit) - Total Governmental Funds						\$ (279,350)
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and are not reported in the funds						178,544
Grant receivables not received within 60 days of year end are not available to pay for current year expenditures						408,979
Net Assets - Governmental Activities						\$ 308,173

Downriver Community Conference

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended September 30, 2006

	Major Funds					Total Governmental Funds
	General Fund	Employment and Training Fund	Economic Development Fund	Weather- ization Fund	Transpor- tation Fund	
Revenue						
Federal grants	\$ -	\$ 2,981,899	\$ 642,501	\$ 514,568	\$ 262,156	\$ 4,401,124
State and local grants	222,996	1,761,378	42,616	632,002	21,477	2,680,469
Membership assessments	87,875	-	-	-	-	87,875
Charges for services	11,473	-	1,796	-	38,060	51,329
Contributions	24,194	-	-	-	-	24,194
Other	107,486	520	8,000	776	-	116,782
Total revenue	454,024	4,743,797	694,913	1,147,346	321,693	7,361,773
Expenditures						
Wages	20,749	2,675,850	143,270	175,291	221,885	3,237,045
Fringe benefits	3,422	793,371	34,438	32,213	69,175	932,619
Contracted services	214,240	63,135	402,373	424,615	1,350	1,105,713
Building rent and maintenance	15,135	636,126	23,046	30,710	24,939	729,956
Professional fees	13,778	150,728	107,652	11,831	7,240	291,229
Capital outlay	11,011	49,382	2,982	8,597	5,681	77,653
Other	89,012	380,810	36,018	500,107	65,450	1,071,397
Total expenditures	367,347	4,749,402	749,779	1,183,364	395,720	7,445,612
Excess of Revenue Over (Under) Expenditures	86,677	(5,605)	(54,866)	(36,018)	(74,027)	(83,839)
Other Financing Sources (Uses)						
Transfers in (Note 6)	-	594	2,905	307	-	3,806
Transfers out (Note 6)	(3,806)	-	-	-	-	(3,806)
Total other financing sources (uses)	(3,806)	594	2,905	307	-	-
Net Change in Fund Balances	82,871	(5,011)	(51,961)	(35,711)	(74,027)	(83,839)
Fund Balances (Deficit) - Beginning of year	60,195	(11,349)	(137,418)	(12,403)	(94,536)	(195,511)
Fund Balances (Deficit) - End of year	<u>\$ 143,066</u>	<u>\$ (16,360)</u>	<u>\$ (189,379)</u>	<u>\$ (48,114)</u>	<u>\$ (168,563)</u>	<u>\$ (279,350)</u>

Downriver Community Conference

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended September 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	(83,839)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation		(36,817)
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Loss on disposal of capital assets is not reported in the governmental funds		(69)
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Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)		154,135
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Change in Net Assets of Governmental Activities	\$	<u>33,410</u>
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Downriver Community Conference

Internal Service Fund - Building and Equipment Fund Statement of Net Assets (Deficit) September 30, 2006

	Internal Service Fund - Building and Equipment Fund
Assets	
Current assets:	
Prepaid expenses and other assets	\$ 213
Due from other governmental units	29,409
	<hr/>
Total current assets	29,622
Noncurrent assets:	
Restricted assets	219,082
Capital assets not being depreciated	388,000
Capital assets being depreciated - Net	1,242,373
	<hr/>
Total noncurrent assets	1,849,455
	<hr/>
Total assets	1,879,077
Liabilities	
Current liabilities:	
Bank overdraft	202,598
Current portion of note payable	165,229
Accrued and other liabilities	19,079
Security deposits	35,631
	<hr/>
Total current liabilities	422,537
	<hr/>
Note payable - Net of current portion	1,660,332
	<hr/>
Total liabilities	2,082,869
	<hr/>
Net Assets (Deficit)	
Investment in capital assets - Net of related debt	(195,188)
Restricted for capital and debt	219,082
Unrestricted	(227,686)
	<hr/>
Total net assets (deficit)	\$ (203,792)
	<hr/>
Internal Service Fund net deficit allocable to business-type activities	\$ (203,792)

Downriver Community Conference

Internal Service Fund - Building and Equipment Fund Statement of Revenue, Expenses, and Changes in Net Assets (Deficit) Year Ended September 30, 2006

Operating Revenue

Maintenance fees	\$ 672,440
Rent	<u>404,132</u>

Total operating revenue 1,076,572

Operating Expenses

Wages	252,666
Fringe benefits	80,791
Professional fees	39,159
Maintenance and repairs	155,784
Depreciation	179,968
Other	<u>237,867</u>

Total operating expenses 946,235

Operating Income 130,337

Nonoperating Revenue (Expense)

Investment income	8,502
Interest expense	<u>(121,386)</u>

Total nonoperating expense (112,884)

Change in Net Assets 17,453

Net Assets (Deficit) - Beginning of year (221,245)

Net Assets (Deficit) - End of year \$ (203,792)

Downriver Community Conference

Internal Service Fund - Building and Equipment Fund Statement of Cash Flows Year Ended September 30, 2006

Cash Flows from Operating Activities

Receipts from customers	\$ 1,082,131
Payments to suppliers	(438,126)
Payments to employees	<u>(333,457)</u>

Net cash provided by operating activities 310,548

Cash Flows from Capital and Related Financing Activities

Purchase of capital assets	(59,000)
Principal and interest paid on capital debt	<u>(274,538)</u>

Net cash used in capital and related financing activities (333,538)

Cash Flows from Noncapital Financing Activities - Decrease in bank overdraft 770

Cash Flows from Investing Activities - Interest income received 8,502

Net Decrease in Cash and Cash Equivalents (13,718)

Cash and Cash Equivalents - Beginning of year 232,800

Cash and Cash Equivalents - End of year \$ 219,082

Balance Sheet Classification of Cash and Cash Equivalents

Cash and investments	\$ -
Restricted assets	<u>219,082</u>

Total cash and cash equivalents \$ 219,082

Reconciliation of Operating Income to Net Cash from Operating Activities

Operating income	\$ 130,337
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	179,968
Changes in assets and liabilities:	
Receivables	16,620
Due from other governmental units	(13,211)
Accrued and other liabilities	<u>(3,166)</u>

Net cash provided by operating activities \$ 310,548

Downriver Community Conference

Notes to Financial Statements September 30, 2006

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Downriver Community Conference (DCC) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

Reporting Entity

DCC is organized as an interlocal public agency formed under Public Act 7 of 1967 and is comprised of 19 communities located in the southern Wayne County area of metropolitan Detroit, Michigan. DCC is funded mainly by assessments charged to member communities and grants through various state and federal agencies. Revenue is used to fund benefits and programs for the member communities as well as for additional areas assigned by grantors. DCC's financial statements are prepared using governmental accounting principles since its ownership consists solely of local units of government. The accounting policies of DCC conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

DCC has excluded Downriver Mutual Aid from this report since DCC does not exercise substantial oversight responsibility. Downriver Mutual Aid's financial statements will be issued under separate cover.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the activities of DCC. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by member assessments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on rental fees for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest income and other items not properly included among program revenues are reported instead as general revenue.

Downriver Community Conference

Notes to Financial Statements September 30, 2006

Note I - Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, DCC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Certain federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with deferred revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

DCC reports the following major governmental funds:

General Fund - The General Fund is DCC's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Employment and Training - The Employment and Training Special Revenue Fund accounts for the revenue and expenditures of federal and state employment and training grant programs. These programs include Work First and Reed Act programs, Workforce Investment Act programs, Employment Service programs, and other smaller miscellaneous training grants.

Downriver Community Conference

**Notes to Financial Statements
September 30, 2006**

Note 1 - Summary of Significant Accounting Policies (Continued)

Economic Development - The Economic Development Special Revenue Fund accounts for the revenue and expenditures of federal and state economic development grant programs. These programs include the Auto Alliance program, Department of Defense programs, and specific economic development programs associated with local downriver companies.

Weatherization - The Weatherization Special Revenue Fund accounts for the revenue and expenditures of federal and state grant programs. These programs include Department of Energy, Low Income Housing Energy Assistance Programs, Weatherization Assistance programs, and Client Education programs.

Transportation - The Transportation Special Revenue Fund accounts for the revenue and expenditures of federal, state, and local grant programs. These programs include the Job Access Reverse Commute program, Taylor transportation services, Dearborn Heights transportation services, SMART specialized services, and homeless coalition services.

Additionally, DCC reports the following fund type:

Internal Service Fund - Building and Equipment Fund - The Building and Equipment Internal Service Fund accounts for building and equipment purchases and maintenance that get charged to both DCC grant programs as well as outside tenants.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. DCC has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, DCC's policy is to first apply restricted resources.

Downriver Community Conference

Notes to Financial Statements September 30, 2006

Note I - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to rental revenue and maintenance fees. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Capital Assets - Capital assets, which include buildings, improvements, and equipment, are reported in the governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by DCC as assets with an initial individual cost of more than \$5,000 for the Building and Equipment Fund and \$500 for the governmental funds and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	5-20 years
Furniture and equipment	3-5 years

Downriver Community Conference

Notes to Financial Statements September 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets (deficit).

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Federal Income Taxes - DCC is a tax-exempt organization under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal income tax has been made in the accompanying financial statements.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Fund Deficits - DCC has accumulated fund deficits in the following individual funds: Employment and Training Fund of approximately \$53,000, Economic Development Fund of approximately \$189,000, Weatherization Fund of approximately \$48,000, and Transportation Fund of approximately \$169,000. Each of these deficits are mainly a result of grant revenue not recorded as revenue in the current year due to GASB Statement No. 33, as discussed in Note 5.

Downriver Community Conference

Notes to Financial Statements September 30, 2006

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. DCC is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

DCC has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above.

Downriver Community Conference's deposits and investment policies are in accordance with statutory authority.

Downriver Community Conference's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, Downriver Community Conference's deposits may not be returned to it. Downriver Community Conference does not have a deposit policy for custodial credit risk. At year end, DCC had approximately \$340,000 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. DCC believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, DCC evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. DCC's investment policy does not further limit its investment choices. As of year end, Downriver Community Conference had approximately \$19,000 invested in mutual funds that were unrated.

Downriver Community Conference

Notes to Financial Statements September 30, 2006

Note 4 - Capital Assets

Capital asset activity of DCC's governmental activities was as follows:

	Balance October 1, 2005	Additions	Disposals and Adjustments	Balance September 30, 2006
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 388,000	\$ -	\$ -	\$ 388,000
Capital assets being depreciated:				
Buildings and improvements	3,402,924	59,000	-	3,461,924
Furniture and equipment	689,688	51,304	(35,581)	705,411
Subtotal	4,092,612	110,304	(35,581)	4,167,335
Accumulated depreciation:				
Buildings and improvements	2,039,582	179,968	-	2,219,550
Furniture and equipment	474,259	88,121	(35,512)	526,868
Subtotal	2,513,841	268,089	(35,512)	2,746,418
Net capital assets being depreciated	1,578,771	(157,785)	(69)	1,420,917
Net capital assets	<u>\$ 1,966,771</u>	<u>\$ (157,785)</u>	<u>\$ (69)</u>	<u>\$ 1,808,917</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 8,924
Employment and training	76,689
Transportation	140
Economic development	558
Weatherization	1,810
Internal Service Fund depreciation - Charged to the various functions based on their usage of the asset	<u>179,968</u>
Total governmental activities	<u>\$ 268,089</u>

Downriver Community Conference

Notes to Financial Statements September 30, 2006

Note 5 - Deferred Revenue

Deferred revenue at September 30, 2006 is as follows:

	Advances on Grants	Revenue Not Available to Finance Current Expenditures	Total
Major funds:			
Employment and Training Fund	\$ 26,941	\$ 16,759	\$ 43,700
Economic Development Fund	16,333	174,182	190,515
Weatherization Fund	47,554	48,113	95,667
Transportation Fund	3,354	169,925	173,279
Total	<u>\$ 94,182</u>	<u>\$ 408,979</u>	<u>\$ 503,161</u>

Advances on Grants - DCC receives funds from federal and state governments under various acts to enable DCC to conduct special programs. Funds received and unexpended as of September 30, 2006 are accounted for as deferred revenue. When expenditures are incurred, revenue is recognized and deferred revenue is reduced. Upon conclusion of the program, unexpended grant funds related to advances are refunded.

Revenue Not Available to Finance Current Expenditures - GASB Statement No. 33 requires all governmental fund revenue to be recognized only when available to finance expenditures of the current period (received within 60 days of year end). The balances above represent state and federal grant reimbursements that were not received within 60 days of year end. Receipt of these reimbursements will alleviate a significant portion of the fund deficits.

Downriver Community Conference

Notes to Financial Statements September 30, 2006

Note 6 - Interfund Transfers

The interfund transfers reported in the fund financial statements are comprised of the following for operating purposes:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Employment and Training Fund	\$ 594
General Fund	Weatherization Fund	307
General Fund	Economic Development Fund	<u>2,905</u>
	Total	<u>\$ 3,806</u>

The transfers from the General Fund to the Employment and Training Fund, the Weatherization Fund, and the Economic Development Fund were operating transfers for various purposes.

Note 7 - Long-term Debt

Effective May 2, 2003, DCC entered into a promissory note with a bank for \$2,300,000. This note has a stated interest rate of 6.27 percent and is collateralized by the building and assignment of leases. The balance of the note at September 30, 2006 is \$1,825,561. The note requires monthly principal and interest payments of \$22,878 until May 2, 2008. The balance of the building note is payable May 2, 2008.

	Interest Rate	Beginning Balance	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Building note:					
Amount of issue: \$2,300,000					
Maturing through 2008	6.27%	<u>\$ 1,978,713</u>	<u>\$ (153,152)</u>	<u>\$ 1,825,561</u>	<u>\$ 165,229</u>

Annual debt service requirements to maturity for the above note are as follows:

	Governmental Activities		
	Principal	Interest	Total
2007	\$ 165,229	\$ 109,309	\$ 274,538
2008	<u>1,660,332</u>	<u>78,055</u>	<u>1,738,387</u>
Total	<u>\$ 1,825,561</u>	<u>\$ 187,364</u>	<u>\$ 2,012,925</u>

Downriver Community Conference

Notes to Financial Statements September 30, 2006

Note 8 - Restricted Assets

Restricted assets recorded in the Building and Equipment Fund at September 30, 2006 consisted of funds maintained in a separate Building and Equipment Fund bank account. Under an agreement with the bank dated December 31, 1997, DCC must deposit \$3,065 per month into the account in addition to the principal and interest requirements. DCC is required to maintain a balance in the account of at least \$35,000. Any excess above this balance may only be spent on bank-approved building repair, maintenance, and improvements. If the balance falls below \$35,000 due to bank-approved withdrawals, the balance is to be replenished through subsequent monthly deposits. The balance in this account is \$219,082.

Note 9 - Risk Management

DCC is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). DCC has purchased commercial insurance for these claims. DCC is also exposed to various risks of loss related to medical benefits provided to employees. DCC is partially self-insured for these claims. DCC is responsible for the first \$1,000 per occurrence for claims filed. The self-insured claims expense for the year ended September 30, 2006 was \$30,992. DCC management estimates that there are no significant unpaid medical claims at year end. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

DCC is highly dependent on federal and state grants. Any significant loss of grant funding could negatively impact DCC's ongoing operations as the grants are needed to cover significant administrative costs.

Note 10 - Related Party Transactions

DCC performs administrative and accounting services for Downriver Mutual Aid, a separate legal entity. The majority of the municipalities that are members of DCC are also members of Downriver Mutual Aid. During the year ended September 30, 2006, there were immaterial transactions related to the central cost allocation plan and expenditure reimbursements between DCC and Downriver Mutual Aid.

Downriver Community Conference

Notes to Financial Statements September 30, 2006

Note 11 - Employee Benefits

Per board resolution, all DCC employees are eligible to establish a tax-sheltered annuity account that is funded by payroll withholdings. In addition, DCC matches employees' contributions up to 4 percent through payments to an insurance carrier. Contributions are fully vested. For the fiscal year ended September 30, 2006, employees' contributions and employer's contributions were approximately \$200,000 and \$97,000, respectively.

Required Supplemental Information

Downriver Community Conference

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended September 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 61,127	\$ 60,195	\$ 60,195	\$ -
Resources (Inflows)				
State and local grants	197,491	197,491	222,996	25,505
Membership assessments	87,875	87,875	87,875	-
Charges for services	30,500	43,879	11,473	(32,406)
Interest	300	635	-	(635)
Contributions	12,500	17,750	24,194	6,444
Other	56,000	62,500	107,486	44,986
Total resources (inflows)	384,666	410,130	454,024	43,894
Expenditures (Outflows)				
Wages	25,848	24,248	20,749	3,499
Fringe benefits	7,140	5,180	3,422	1,758
Contracted services	192,368	192,368	214,240	(21,872)
Building rent and maintenance	10,950	11,150	15,135	(3,985)
Professional fees	12,525	9,877	13,778	(3,901)
Capital outlay	-	10,985	11,011	(26)
Other	134,522	99,720	89,012	10,708
Transfers to other funds	13,000	15,000	3,806	11,194
Total expenditures (outflows)	396,353	368,528	371,153	(2,625)
Fund Balance - End of year	\$ 49,440	\$ 101,797	\$ 143,066	\$ 41,269

Downriver Community Conference

Note to Required Supplemental Information September 30, 2006

Note - Budgetary Information

The annual budget is prepared by DCC's management and adopted by the board of directors on a line-item basis. Subsequent amendments are approved by the board of directors.

Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at September 30, 2006 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America other than budgetary transfers in as revenue rather than other financing sources.

The budgetary comparison schedule for the General Fund is presented on the same basis of accounting used in preparing the adopted budget. The Employment and Training, Economic Development, Weatherization, and Transportation Funds have been budgeted; however, those budgets are prepared on a program year basis that differs from DCC's year end. Due to the fact that the budgets adopted and the financial information presented are not for the same period, their financial activity has been omitted from the required supplemental information.

Excess of Expenditures Over Appropriations in the Budgeted Funds - The General Fund had expenditures greater than budget in contracted services, building rent and maintenance, professional fees and capital outlay, and other expenditure categories related to expenses not budgeted for by DCC.

Downriver Community Conference

**Federal Awards
Supplemental Information
September 30, 2006**

Downriver Community Conference

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Independent Auditor's Report

To the Board of Directors
Downriver Community Conference

We have audited the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Downriver Community Conference as of and for the year ended September 30, 2006, which collectively comprise Downriver Community Conference's basic financial statements, and have issued our report thereon dated December 22, 2006. Those basic financial statements are the responsibility of the management of Downriver Community Conference. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Downriver Community Conference's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

December 22, 2006



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Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Board of Directors
Downriver Community Conference

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Downriver Community Conference as of and for the year ended September 30, 2006 which collectively comprise Downriver Community Conference's basic financial statements and have issued our report thereon dated December 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Downriver Community Conference's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Downriver Community Conference's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
Downriver Community Conference

We noted certain matters that we have reported to the management of Downriver Community Conference in a separate letter dated December 22, 2006.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

December 22, 2006



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**Report on Compliance with Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Board of Directors
Downriver Community Conference

Compliance

We have audited the compliance of Downriver Community Conference with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2006. The major federal programs of Downriver Community Conference are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Downriver Community Conference's management. Our responsibility is to express an opinion on Downriver Community Conference's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Downriver Community Conference's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Downriver Community Conference's compliance with those requirements.

In our opinion, Downriver Community Conference complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2006-01.

To the Board of Directors
Downriver Community Conference

Internal Control Over Compliance

The management of Downriver Community Conference is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Downriver Community Conference's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Morse, PLLC

January 12, 2007

Downriver Community Conference

Schedule of Expenditures of Federal Awards Year Ended September 30, 2006

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services - Passed through the Michigan Department of Social Services - Weatherization - LIHEAP:		
LIHEAP 05-06	93.568	\$ 124,167
LIHEAP 06-07	93.568	<u>28,175</u>
Total U.S. Department of Health and Human Services		152,342
U.S. Department of Energy - Passed through the Michigan Department of Social Services:		
Weatherization 05-06	81.042	271,846
Weatherization 06-07	81.042	<u>98,900</u>
Total U.S. Department of Energy		370,746
U.S. Department of Labor:		
TAA/NAFTA	17.245	64,069
Auto Alliance	17.257	284,898
Passed through the Michigan Department of Labor, Bureau of Employment and Training - Passed through the Southeastern Michigan Community Alliance:		
Supportive services	93.558	27,749
Work First	93.561	1,623,801
Work First - Food stamps	93.561	3,319
WIA Cluster:		
Adult 05-06	17.258	205,835
Adult 06-07	17.258	67,175
Dislocated Worker 05-06	17.260	519,111
Dislocated Worker 06-07	17.260	182,684
Displaced Homemaker 05-06	17.258	29,861
Displaced Homemaker 06-07	17.258	12,060
Youth 05-06	17.259	153,501
Youth 06-07	17.259	<u>37,649</u>
Total passed through the Michigan Department of Labor, Bureau of Employment and Training		2,862,745
Passed through the Michigan Department of Career Development - Passed through the Southeastern Michigan Community Alliance - Reed Act (included as part of the WIA Cluster)	17.260	<u>96,461</u>
Total U.S. Department of Labor		3,308,173

Downriver Community Conference

Schedule of Expenditures of Federal Awards (Continued) **Year Ended September 30, 2006**

Federal Agency/Pass-through Agency Program Title	CFDA Number	Federal Expenditures
U.S. Department of Defense - Procurement Technical Outreach Grant	12.001	\$ 225,197
U.S. Department of Transportation - Passed through the Federal Transit Administration - Passed through Detroit Employment and Training - Passed through Easy Ride - JARC	20.516	354,495
U.S. Environmental Protection Agency:		
Brownfield Assessment and Cleanup Cooperative Agreements	66.818	39,293
Brownfield Petroleum Grant	66.818	71,382
Brownfield Training Research and Technical Agreements	66.814	<u>76,607</u>
Total U.S. Environmental Protection Agency		<u>187,282</u>
Total federal awards		<u>\$ 4,598,235</u>

Downriver Community Conference

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended September 30, 2006

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 4,401,124
Less revenue received in the current year related to prior year expenditures	(165,376)
Add revenue not available to finance expenditures of the current period (GASB No. 33)	<u>362,487</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 4,598,235</u></u>

Downriver Community Conference

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2006

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Downriver Community Conference (DCC) and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
U.S. Department of Labor Auto Alliance	17.257	\$ 185,235

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Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X Yes _____ No

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
93.561	Work First
93.561	Work First - Food stamps
17.257	Auto Alliance
66.818	Brownfield Assessment and Cleanup Cooperative Agreements
66.818	Brownfield Petroleum Grant
20.516	JARC

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

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Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Findings
2006-01	<p>U.S. Department of Labor - Work First #93.561</p> <p>Pass Through Entity - Michigan Department of Labor, Bureau of Employment and Training passed through the Southeastern Michigan Community Alliance</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Work First grant level of effort requirements include a provision that a 50 percent placement level be obtained, a 50 percent retention rate be obtained, a cost per placement not to exceed \$1,000, a minimum wage of \$6.50/hour per placement, and an average wage of \$8.15/hour per placement be met.</p> <p>Condition - DCC did not meet the level of effort requirements for the Work First grant for the current and prior fiscal year.</p> <p>Questioned Costs - Unknown</p> <p>Context - The placement and retention level for the 2005-2006 program year for DCC was less than 50 percent and the cost per placement exceeded \$1,000 per placement. The hourly rate at placement was less than the required \$6.50 minimum in 2 of the 25 participants tested. The average wage per placement was less than \$8.15/hour.</p> <p>Cause and Effect - DCC did not meet the program goals for placement level, retention rate, minimum wage, and average cost per placement for the 2005-2006 program year, resulting in noncompliance with the grant agreement.</p> <p>Recommendation - DCC should continue efforts to meet the program goals of the Work First program during the 2006-2007 program year.</p> <p>Views of Responsible Officials and Planned Corrective Actions - DCC will focus on meeting program goals for the 2006-2007 program year. Management and employees of the department continue to work closely with other providers, FIA offices, and SEMCA to further uncover hidden barriers that will enable the department to better place the customer.</p>

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Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2006

Finding	CFDA Number	Questioned Costs	Comments
DCC did not meet the level of effort requirements for the HIB Grant	17.261	Unknown	DCC continued efforts to meet level of effort requirements. However, the grant ended on April 30, 2005.
DCC admitted a participant into the HIB training program who was not a U.S. citizen and did not possess a green card.	17.261	Training costs for the ineligible participant were \$1,575	DCC reimbursed the U.S. Department of Labor for the questioned cost.
DCC did not meet the matching requirement, but indicated verbal approval was received from the Department of Labor to allow for a lesser match.	17.261	Unknown	DCC continued efforts to meet the matching requirement. However, the grant ended on April 30, 2005.
DCC met the average wage rate requirement but did not meet the remaining level of effort requirements for the Work First grant.	93.561	Unknown	DCC continued efforts but did not meet level of effort requirements for the 2005-2006 program year.
DCC did not verify that companies or individuals were suspended, debarred, or otherwise excluded prior to payment.	17.257	None	DCC developed a procedure to verify that companies were not on the suspended or debarred list prior to awarding contracts or making payments.



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December 22, 2006

To the Members of the Board
and Management
Downriver Community Conference
15100 Northline Road
Southgate, MI 48195

Dear Members of the Board and Management:

We recently completed the audit of the Downriver Community Conference (DCC) for the year ended September 30, 2006. As part of the audit, and in addition to the financial and compliance report, we offer the following comments and suggestions for your consideration:

Financial Status of Funds

Grants

The following table reflects deficits in the grant funds:

	Fund Deficit	GASB 33 Deferral	True Net Operating Deficit
Employment and training	\$ 16,360	\$ 16,759	\$ -
Economic development	189,379	174,182	15,197
Weatherization	48,114	48,114	-
Transportation	168,563	169,925	-

Due to GASB 33, DCC is not allowed to offset any expenditures with revenue if the related funds are not received within 60 days of year end. Therefore, all grant reimbursements not received by November 30, 2006 are not recognized as revenue for the year under audit. In addition, amounts that were deferred in the prior year due to the GASB 33 implementation were recognized as income in the current year. In an effort to minimize deficits related to this pronouncement, DCC should continue to aggressively submit timely requests for reimbursements.

In the current year, the Economic Development Fund experienced an actual operating deficit, whereby grant expenditures exceeded revenues. We recommend the DCC review the strategic plans for this fund to ensure adequate resources are available to cover anticipated expenditures.

Expiration of Facility Lease

As the facility mortgage nears term, we encourage DCC to begin reviewing the various options related to the renewal and/or renegotiating of its lease terms. Given historically low interest rates and the uncertain nature of the economy, a proactive approach is recommended. We would be pleased to assist the DCC with assessing potential options related to the facilities.

Other Items

As a result of our audit, we offer the following accounting-related suggestions for your consideration:

- Quarterly performance reports and other documentation relating to the Brownfield Assessment programs were not readily available. Although the documentation was ultimately obtained (in some cases from a third party), we recommend that DCC maintain organized and complete grant records on-site for each of the applicable compliance requirements over the life of each grant.
- The Job Access Reverse Commute grant provides funding for job-related transportation services to welfare recipients and low-income individuals. Documentation of eligibility was not readily available for one of the Job Access Reverse Commute participants tested. DCC should review its current file maintenance procedures to ensure appropriate supporting documentation is obtained in a readily available format to support eligibility for individuals charged to the grant.
- A single bank account is utilized for both DCC and Downriver Mutual Aid disbursements, which can lead to commingling of the funds. We recommend developing procedures to separately track cash disbursements related to the two entities to ensure funds from one are not being temporarily used to pay expenditures of the other, which could cause funds to be spent in a manner not permissible in certain grant agreements. We also recommend that the boards of both entities approve a policy allowing limited, temporary borrowing between the two entities to ensure grant funds are not erroneously spent.

December 22, 2006

- In reviewing the segregation of duties related to check signing, we noted that the controller is authorized to be a sole signer of checks written for less than \$5,000. Management indicated that this authority is seldom exercised and, even then, only as a last resort when other authorized signers are not available. While we have no specific concerns regarding this group of checks and we understand that having such a signer option available is practical, we recommend that management consider reviewing personnel assignments to identify an individual outside the finance department who would be appropriate to act as a second signer, to maintain adequate segregation of duties.

Thank you for the opportunity to serve the Downriver Community Conference. We would like to extend our appreciation to your staff for the courtesy extended to us during the audit. Please contact us if you would like to discuss any of the matters mentioned above.

Very truly yours,

Plante & Moran, PLLC



Beth A. Bialy



Stacey L. Reeves